

**NATIONAL ASKING CAP RATES**

Sector	Q2 2018 (Previous)	Q3 2018 (Current)	Basis Point Change
Retail	6.20%	6.25%	+5
Office	6.95%	7.00%	+5
Industrial	7.04%	7.02%	-2

**NUMBER OF PROPERTIES ON THE MARKET**

Sector	Q2 2018 (Previous)	Q3 2018 (Current)	Percentage Change
Retail	4,216	4,347	3.11%
Office	538	504	-6.32%
Industrial	388	384	-1.03%

**MEDIAN NATIONAL ASKING VS CLOSED CAP RATE SPREAD**

Sector	Q2 2018 (Previous)	Q3 2018 (Current)	Basis Point Change
Retail	29	30	+1
Office	40	35	-5
Industrial	35	33	-2

**MARKET OVERVIEW**

Cap rates for the single tenant net lease retail sector increased by 5 basis points in the third quarter of 2018. This represented the third consecutive quarter of increased cap rates for the single tenant retail sector. Cap rates increased for the office sector by 5 basis points and compressed by 2 basis points for the industrial sector. The upward trend of cap rates should remain as the Federal Reserve continues to implement its monetary policy objectives.

While demand for assets in the net lease sector remains strong, pressure on cap rates comes from upward movement in the 10 year treasury yield. In the third quarter, the 10 year treasury yield peaked at 3.10, its second highest level since early 2014. The rising rate environment has had the greatest effect on cap rates on properties with no rental escalations, weak credit and properties in secondary/tertiary markets. Furthermore, assets priced above \$12 million that typically are sold to institutional buyers experienced significant cap rate increases. Institutional buyers are more sensitive to the volatility of financing markets and adjust their acquisition criteria accordingly.

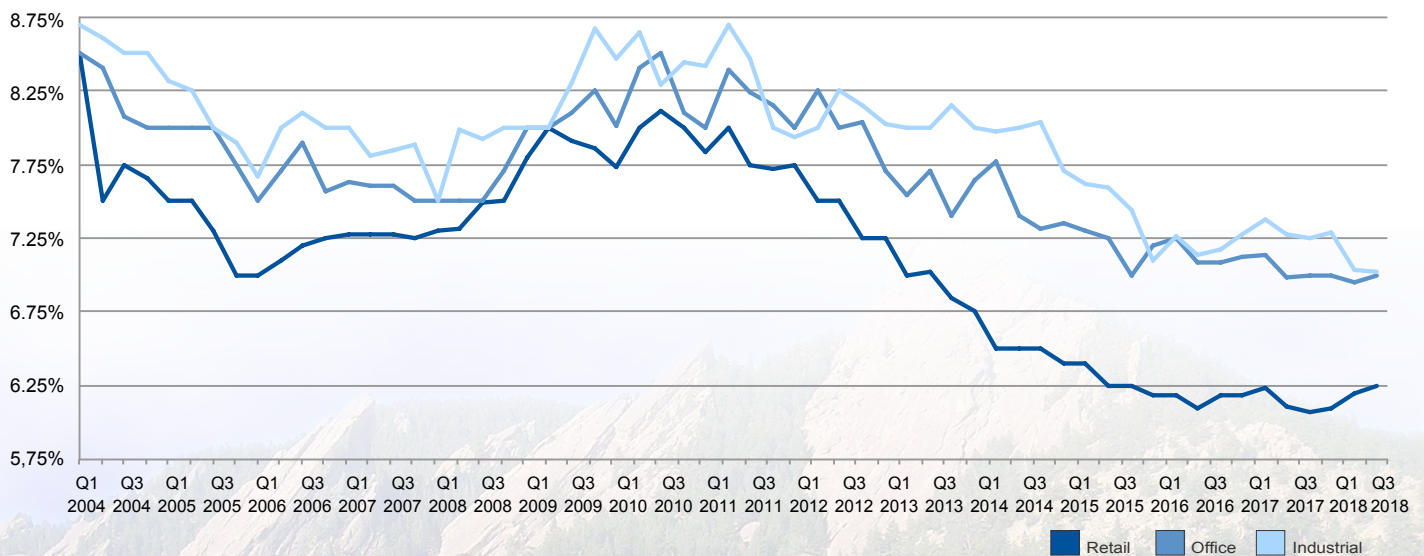
Despite a slight rise in the supply of net lease properties in the market, there is a lack of new construction properties with long term leases. As a result, cap rates for recently constructed properties tenanted by strong credit tenants including 7-Eleven, CVS and FedEx either experienced no cap rate movement or slight compression during the third quarter.

Cap rates for the retail, office and industrial net lease sectors should remain within a similar range of the past few years. The majority of net lease participants expect stable cap rates in the near term. Capital markets will be a primary concern for investors as they continue to monitor their effect on pricing. Transaction velocity should remain high as institutional and fund investors attempt to reach acquisition allocations by year end.

**SELECTED SINGLE TENANT SALES COMPARABLES**

Sale Date	Sector	Tenant	City	State	Price	Price Per SF	Cap Rate	Lease Term Remaining
Aug-18	Office	NetScout	Allen	TX	\$54,000,000	\$372	6.58%	12
Jul-18	Office	Alliance Data Center	Columbus	OH	\$49,950,000	\$194	6.61%	14
Jul-18	Industrial	Preferred Freezer Storage	Perth Amboy	NJ	\$38,300,000	\$147	7.00%	12
Jul-18	Office	Liberty Mutual	Chandler	AZ	\$28,500,000	\$279	5.75%	10
Jul-18	Industrial	Newell Rubbermaid	Akron	OH	\$21,376,099	\$32	6.89%	10
Jul-18	Retail	Safeway	Kings Beach	CA	\$18,425,000	\$484	4.75%	20
Jul-18	Retail	Jewel-Osco	Palos Heights	IL	\$15,500,000	\$269	5.88%	19
Jul-18	Industrial	SuperValu	Oglesby	IL	\$15,450,000	\$48	6.49%	20
Jul-18	Retail	LA Fitness	Menifee	CA	\$14,600,000	\$384	6.00%	15
Aug-18	Retail	Regal Cinemas	Christiansburg	VA	\$12,900,000	\$239	8.06%	12
Aug-18	Industrial	FedEx	Brockton	MA	\$9,825,000	\$137	8.90%	4
Jul-18	Retail	Walgreens	Chestertown	MD	\$9,787,500	\$655	5.50%	16
Aug-18	Retail	Home Depot (GL)	South Elgin	IL	\$8,800,000	--	4.50%	29
Aug-18	Retail	Wawa (GL)	West Palm Beach	FL	\$7,700,000	--	4.45%	20
Sep-18	Industrial	FedEx	Kalamazoo	MI	\$7,350,000	\$61	8.55%	2
Aug-18	Retail	CVS	Saint Augustine	FL	\$6,369,000	\$494	5.77%	15
Sep-18	Retail	Sam's Club (GL)	Castle Rock	CO	\$6,300,000	--	4.60%	20
Sep-18	Office	DaVita (Call Center)	Everett	WA	\$6,070,000	\$200	5.78%	14

**NET LEASE CAP RATE TRENDS**



**MEDIAN ASKING CAP RATES BY YEAR BUILT**

Tenant	2012-2018	2005-2011	2000-2005	Pre 2000
7-Eleven	4.85%	5.30%	5.95%	6.30%
Advance Auto Parts	6.00%	6.80%	7.40%	7.90%
AutoZone	5.00%	5.62%	6.32%	7.05%
Bank of America	N/A	5.15%	6.10%	6.50%
Chase Bank	4.40%	4.65%	4.95%	5.50%
CVS Pharmacy	5.30%	5.70%	6.25%	7.10%
DaVita Dialysis Center	5.68%	6.10%	6.80%	7.20%
Dollar General	7.02%	7.79%	8.11%	8.60%
Family Dollar	7.10%	7.55%	8.18%	8.75%
FedEx	6.00%	6.55%	7.03%	7.50%
Fresenius	5.80%	6.40%	6.95%	7.33%
McDonald's (GL)	4.00%	4.30%	4.60%	4.90%
O'Reilly Auto Parts	5.63%	6.00%	6.35%	6.90%
Rite Aid	6.50%	7.12%	7.83%	8.55%
Starbucks	5.15%	5.50%	6.05%	6.65%
Walgreens	5.52%	6.00%	6.85%	7.25%

**FOR MORE INFORMATION**

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